

BULLION WEEKLY

A Weekly Report on Gold & Silver

The Week Ahead

- Precious metals to resume rally- Gold to have an edge over silver
- The US housing and GDP data will be keenly watched- may determine dollar's move
- A rejection of Greek debt restructuring is likely to revive the Euro

Technical Calls

Commodity	S3	S2	S1	R1	R2	R3	Recommendation
COMEX June Gold	1437	1454	1481	1526	1543	1571	Buy at 1500-03 TP 1532/40 SL 1480
MCX June Gold	21349	21532	21848	22347	22530	22846	Buy at 22020-22050 TP 22320/22400 SL below 21850
MCX Gold mini July	21558	21719	21989	22420	22581	22851	Buy at 22150-190 TP 22450/22520 SL Below 21950
COMEX July Silver	3066	3181	3345	3624	3739	3903	Buy at 3446-70 TP 3870 SL 3220
MCX July Silver	47739	49245	51259	54779	56285	58299	Buy at 52500-700 TP 56200/57000 SL 50000

Outlook

The week gone by, precious metals remained fleeting as the dollar put up a resilient show along with the Euro encountering the Greek dilemma. Following our stance, both gold and Silver gained till mid week after which released some tint to settle the week little up, while gold surmounted silver. Coming week we will be take our call on bullions as "Bullish".

Authorities stepped up pressure on Greece to sell assets and deepen spending cuts to win an increase of its 110 billion Euro aid package and more time to repay the loans. The European debt issue is reheating and the momentum of US economic recovery is slow. Norway suspended the payment of a \$42 million grant to Greece for failure to comply with its EU-IMF bailout commitments started a sell-off in the euro. Speculation mounted that Finland, a European Union member, would also suspend payments. International Monetary Fund suspended its review of Greece until the government draws up further austerity measures which could mean a delay in the disbursement of much-needed IMF funds. So, Greece issue will be lingering for some more time. IMF has also approved a 26 billion Euro loan to Portugal with duration of 3 years to repay, gave some breathing space from borrowing in the markets. However, a restructuring of Greece's huge debt seemed to be off the table now, which was viewed as negative for the Euro as it could prompt a flight away from Euro zone bonds and damage the EU's credibility, has now released. So, Greece's prime minister is finalizing the fifth round of deficit cuts to comply with an international bailout and helped the Euro to revive a bit in the last week after hitting its lowest in seven weeks.

Looking at the economic releases from the US, with a recent rise in mortgage rates, the US housing sector seems to be weaker which will be a supportive factor for the metals. The Q1 GDP is actually masking weaker economic numbers which slowed considerably in the Q1 as compared to Q4 FY10. However, the slowdown is likely to be transitory and should return to the potential growth, which is to be watched on 26th May. The UK data is likely to be fair enough may also help the Euro to gain.

While analyzing the P-V-O, it has been observed that for both gold and silver the price rise was not actually well supported by the volume and open interest. Hence taking traders' sentiment into consideration, little cautiousness should be maintained.

Gold/Silver Ratio

The Gold Silver Ratio improved to 43 from last week's 42.65 as gold surpassed silver. In the coming week this ratio is again likely to improve on the back of weaker data expectation from the US while the Europe debt worries is likely to keep the precious metals' demand up as a safe haven. However, gold's investment demand and Chinese demands are looking promising which may lead it to beat silver. Hence, buying gold and selling silver might be the suitable strategy to capture the gain on an improving ratio.

BULLION WEEKLY

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Technical Analysis – Gold

Gold prices traded evenly during the whole week but it came up during the last session and settled at \$1508.9; high \$1515.8.

In the weekly chart prices witnessed a heavy correction during its recent uptrend. However, the prices failed to sustain below \$1488 the short term EMA – 8 suggesting strength in the trend. A hammer candle stick witnessed during the correction in the uptrend indicating entrance of bulls at lower levels. Another technical tool called Andrew Pitchfork (uses three parallel trend lines to identify possible levels of support and resistance) is suggesting that the prices get deviated from the median line (\$1310.90-1577.40-1522.10) which it has been following since the start of the year Jan2011 and prices bounce back after touching the support line of the tool, we expect a bounce back in the prices at least till \$1542 the median line. The technical indicator RSI (14) is at 0.65 signalling that the trend has gain strength after a heavy correction phase.

In daily chart prices have been following the short term uptrend line (drawn by joining 3 well defined troughs of \$1349-1382.4-1462.5) and for this time also prices respect the said trend line (failed to breach the trend line and bounce back). Prices are sustaining above \$1475 which is 38.6% natural retracement of the range 1312.9-1577.4 indicating bullish mode. Market failed to follow the short and medium term moving average (EMA-8, EMA-21 and EMA-34) crossovers and breakout above pointing northward direction may persist in the market.

Overall, we expect gold prices may remain on the higher side and recommend buying for the coming week.



Technical Analysis – Silver

Prices remained volatile this week and settled flat at 3508.7 cents.

In weekly chart prices are 2 doji candle stick witnessed suggesting highly indecisive mode. However, the RSI (14) is trading at 0.52 signalling bullishness in the trend. Prices failed to sustain below long term EMA – 34 and also failed to settle below the medium term moving average EMA – 21 indicating strength may persist in the trend. Market also fails to settle below 26.25 degree line from the low of 2645cents as per the Gann fan principle indicating a short term bounce back till 45 degree Gann line.



BULLION WEEKLY

A Weekly Report on Gold & Silver

Market Round-up: The week gone by precious metals remained fleeting as the dollar put up a resilient show along with the Euro encountering the Greece dilemma.

Economic Events:

- ❖ The FOMC meeting minutes on May18 showed no firm decisions rather told to need more discussions was needed to normalize policy; however, the committee's asset purchase program and the federal fund target rate were warranted
- ❖ While stating the current inflation is transitory and to unwind when commodities prices increase abated, Fed officials are now discussing strategy for how to remove stimulus, with majority favoring ending the policy of reinvesting proceeds from maturing securities first before raising interest rate or selling assets
- ❖ On May 18, the Bank of England's meeting minutes said a majority of members concluded a rate hike wasn't warranted due to a lack of evidence that higher inflation expectations were becoming ingrained in wage and price decisions and skepticism over the underlying strength of the economy, which has been reflected as CPI accelerated. Also, the central bank means to up the size of its asset-purchase, or quantitative-easing program from 200 billion pounds to 250 billion pounds
- ❖ Japan's surprising contraction in GDP led the BOJ to refrain from adding stimulus after deciding to maintain a 30 trillion Yen credit program and a 10 trillion Yen asset purchase fund as main policy tools. Signs of a deteriorating economy put renewed pressure on the BOJ to provide additional stimulus after it stepped-up asset purchases and flooded money markets with cash in the wake of the March 11 temblor
- ❖ Global equities performed mostly at a negative as measured by the MSCI world index, is down by 0.49%. Asian stocks fell, dragging the region's benchmark index to the third streak of weekly declines, as Greece's debt crisis grew, Japan's economy contracted and disappointing US data fueled concern about a global recovery

Precious Metal Show:

- ❖ SPDR gold holdings improved to 1201.95 ton from 1192.25 tons and Chinese gold demand is increasing at a rapid pace on the back of high inflation
- ❖ The I-share silver holdings has decreased to 10203.73 tons from last week's 10516.21
- ❖ Gold futures rose the most this month after Fitch Ratings cut Greece's credit rating, boosting the appeal of the precious metal as a haven asset
- ❖ Silver futures fell gained slightly by 0.21% in the Comex although lost in the Mcx

Price Performance - Gold

Exchange	Commodity Future	Open	High	Low	Last	% Change in Price	Volume	% Change in Volumes	Open Interest (OI)	% Change in OI
COMEX (\$/oz)	Gold (June 11)	1494.60	1515.80	1471.10	1508.90	1.02%	810576	-9.29%	230248	-15.20%
	Gold (Aug 11)	1494.00	1517.00	1472.60	1510.00	1.02%	106048	33.91%	131639	25.81%
MCX (₹/10gm)	Gold (June 11)	21952	22214	21715	22167	0.94%	151048	-16.91%	10589	-11.38%
	Gold (Aug 11)	22230	22430	21980	22379	0.56%	10662	1.79%	4111	23.01%

BULLION WEEKLY

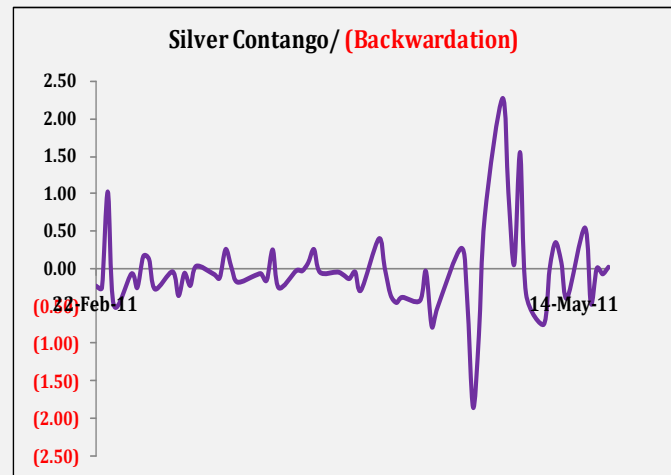
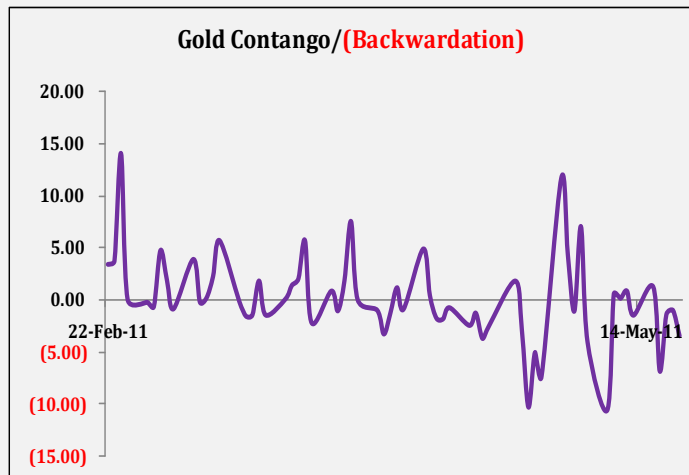
A Weekly Report on Gold & Silver

Price Performance - Silver

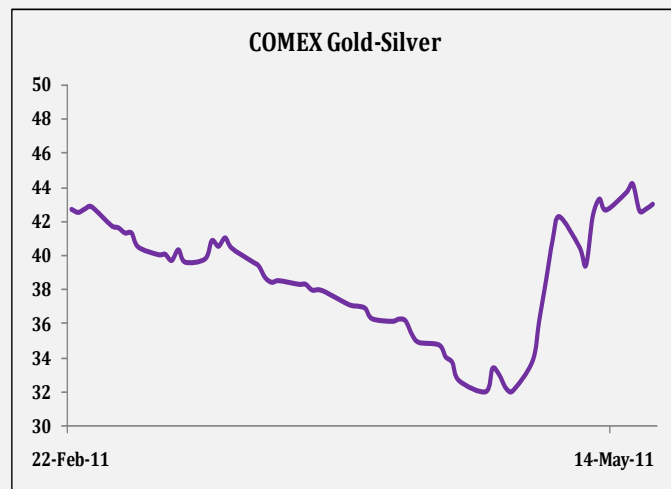
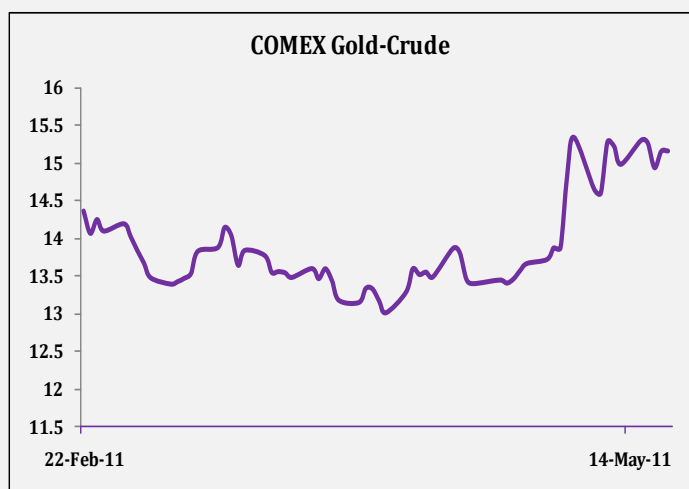
Exchange	Commodity Future	Open	High	Low	Last	% Change in Price	Volume	% Change in Volumes	Open Interest (OI)	% Change in OI
COMEX (\$/oz)	Silver (July 11)	35.25	35.75	32.96	35.09	0.21%	366383	-37.66%	64023	-2.40%
	Silver (Sep 11)	34.96	35.75	33.00	35.11	0.22%	8255	-45.05%	9537	11.23%
MCX (₹/kg)	Silver (July 11)	53807.00	54270	50750	53501	-0.40%	407801	-36.78%	13705	4.67%
	Silver (Sep 11)	54503.00	60684	50400	54411	-0.38%	10104	-53.64%	2218	2.64%

Chart Updates - Contango & Backwardation

Backwardation is a market where spot prices exceed future prices while **Contango** indicates future prices exceeding spot prices.



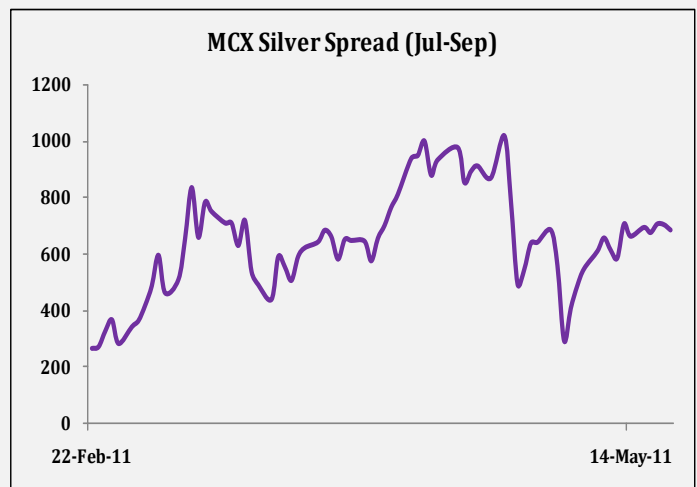
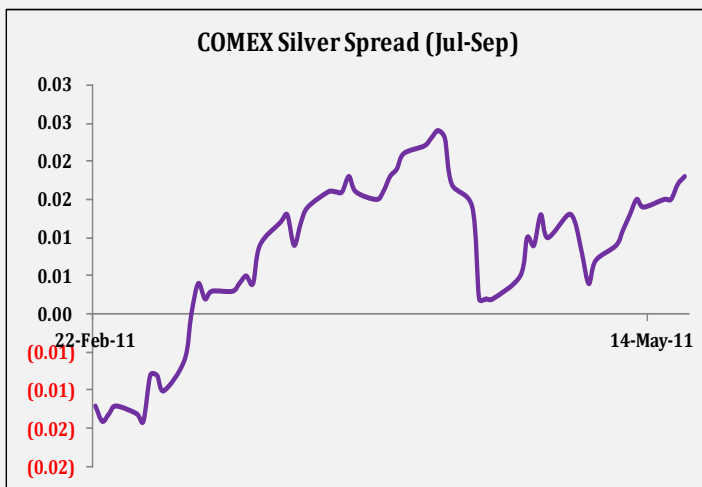
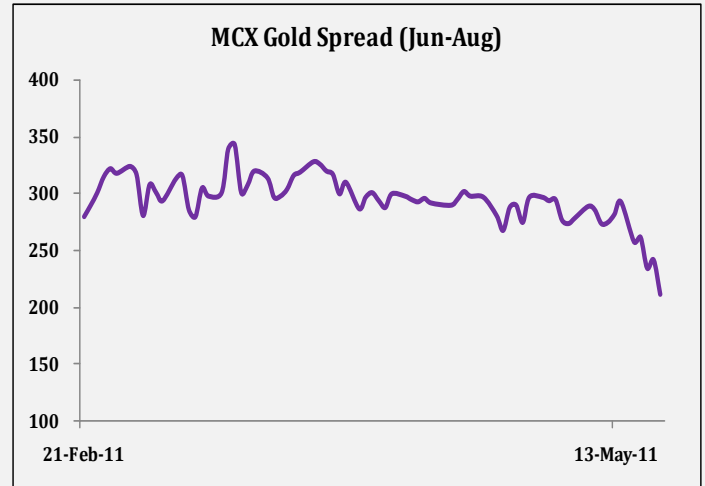
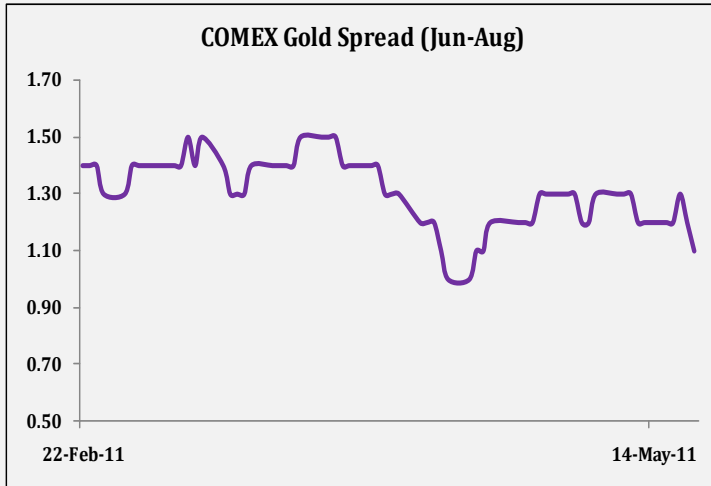
Ratio Charts



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Calendar Spreads



BULLION WEEKLY

A Weekly Report on Gold & Silver

DATA RELEASES SCHEDULED FOR THE WEEK AHEAD

Date	Time	Region	Event	Period	Survey	Prior
05/23/2011	08:00	CH	HSBC Flash China Manufacturing PMI	MAY	--	51.8
05/23/2011	13:00	GE	PMI Manufacturing	MAY A	61	62
05/23/2011	13:00	GE	PMI Services	MAY A	57	56.8
05/23/2011	13:30	EC	PMI Composite	MAY A	57.3	57.8
05/23/2011	13:30	EC	PMI Manufacturing	MAY A	57.5	58
05/23/2011	13:30	EC	PMI Services	MAY A	56.5	56.7
05/23/2011	18:00	US	Chicago Fed Nat Activity Index	APR	0.2	0.26
05/24/2011	11:30	GE	Domestic Demand	1Q	1.30%	-0.40%
05/24/2011	11:30	GE	Exports	1Q	2.00%	2.50%
05/24/2011	11:30	GE	Government Spending	1Q	0.20%	0.60%
05/24/2011	11:30	GE	Construction Investment	1Q	7.10%	-3.90%
05/24/2011	11:30	GE	Imports	1Q	1.70%	0.90%
05/24/2011	11:30	GE	Private Consumption	1Q	0.50%	0.20%
05/24/2011	11:30	GE	GDP s/a. (QOQ)	1Q F	1.50%	1.50%
05/24/2011	13:30	GE	IFO - Business Climate	MAY	113.7	114.2
05/24/2011	13:30	GE	IFO - Current Assessment	MAY	120.7	121
05/24/2011	13:30	GE	IFO - Expectations	MAY	107	107.7
05/24/2011	14:30	EC	Industrial New Orders SA (MOM)	MAR	-1.10%	0.90%
05/24/2011	19:30	US	New Home Sales	APR	300K	300K
05/24/2011	19:30	US	New Home Sales MOM	APR	0.00%	11.10%
05/24/2011	19:30	US	Richmond Fed Manufact. Index	MAY	9	10
05/25/2011	05:20	JN	Merchnds Trade Exports YOY	APR	-12.7	-2.2
05/25/2011	05:20	JN	Merchnds Trade Imports YOY	APR	12.8	11.9
05/25/2011	14:00	UK	GDP (QOQ)	1Q P	0.50%	0.50%
05/25/2011	14:00	UK	GDP (YOY)	1Q P	1.80%	1.80%
05/25/2011	14:00	UK	Private Consumption	1Q P	0.10%	-0.30%
05/25/2011	14:00	UK	Government Spending	1Q P	0.20%	0.40%
05/25/2011	14:00	UK	Exports	1Q P	2.10%	1.70%
05/25/2011	14:00	UK	Imports	1Q P	-0.70%	3.20%
05/25/2011	16:30	US	MBA Mortgage Applications	20-May	--	7.80%
05/25/2011	18:00	US	Durable Goods Orders	APR	-2.50%	2.50%
05/25/2011	19:30	US	House Price Index MOM	MAR	-0.50%	-1.60%
05/26/2011	11:30	GE	Import Price Index (MOM)	APR	0.70%	1.10%
05/26/2011	11:30	GE	Import Price Index (YOY)	APR	9.90%	11.30%
05/26/2011	18:00	US	GDP QOQ (Annualized)	1Q S	2.20%	1.80%
05/26/2011	18:00	US	Personal Consumption	1Q S	2.80%	2.70%
05/26/2011	18:00	US	GDP Price Index	1Q S	1.90%	1.90%
05/26/2011	18:00	US	Initial Jobless Claims	21-May	400K	409K

BULLION WEEKLY

A Weekly Report on Gold & Silver

Date	Time	Region	Event	Period	Survey	Prior
05/26/2011	18:00	US	Continuing Claims	14-May	3700K	3711K
05/27/2011	14:30	EC	Business Climate Indicator	MAY	1.2	1.28
05/27/2011	14:30	EC	Euro-Zone Consumer Confidence	MAY F	--	-9.7
05/27/2011	14:30	EC	Euro-Zone Economic Confidence	MAY	105.7	106.2
05/27/2011	18:00	US	Personal Income	APR	0.40%	0.50%
05/27/2011	18:00	US	Personal Spending	APR	0.50%	0.60%
05/27/2011	19:25	US	U. of Michigan Confidence	MAY F	72.4	72.4
05/27/2011	19:30	US	Pending Home Sales MOM	APR	-1.00%	5.10%
05/27/2011	19:30	US	Pending Home Sales YOY	APR	--	-11.50%
05/27/2011		GE	Consumer Price Index (MOM)	MAY P	0.00%	0.20%
05/27/2011		GE	Consumer Price Index (YOY)	MAY P	2.30%	2.40%

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